

New Excise Tax on Medical Reimbursement Plans

We would like to advise you of a new tax that is required under the Affordable Care Act on employers who provide a self-insured health plan (commonly referred to as medical reimbursement plans or health reimbursement arrangements). This new excise tax requires a filing of Form 720 and a small payment, with the first submissions due by July 31, 2013 for those with a plan year ending between October 1, 2012 and December 31, 2012.

The IRS recently announced a delay in implementation of the “employer mandate” portion of the ACA. However, based on the official guidance issued with this announcement, the delay does not impact this new excise tax. Accordingly, those with a calendar year self-insured health plan for 2012 are in the first round of filers.

Fiscal year entities, such as C corporations, are only subject to the July 31, 2013 filing if their year-end includes October 31, November 30 or December 31, 2012. Later fiscal year ends ending January 31 to Sept. 30, 2013 will not file their first Form 720 until July 31, 2014.

The excise tax is very small, and the completion of the Form 720 is simple. Accordingly, we are encouraging our clients to complete the submission on their own. The form can be downloaded from the IRS website ([Form 720, Quarterly Federal Excise Tax Return](#)). Even though Form 720 normally requires quarterly filing, this medical reimbursement plan fee is remitted annually by filing the form for the second quarter of the year, due each July 31.

The Form 720 is completed by entering the name and address of the employer at the upper portion of the first page. On the second page, locate the line under Part II that is referred to as No. 133 (Applicable self-insured plans). The tax is assessed based on the number of lives participating in the plan for the prior plan year. For example, a farm corporation providing a medical reimbursement plan to an employee, the employee's spouse and two children has four lives participating. The tax due is only \$1 for each participating person for the 2012 plan year, or \$4 in this example. Next year, the fee rises to \$2 per participant.

After completion, the form is signed at the bottom of page 2, and the first two pages are sent with your check to the Internal Revenue Service Center, Cincinnati, OH 45999-0009. Please make a copy for your record prior to mailing.

If you have any questions regarding this development, please contact our firm.